SCHEDULE D (Form 1041) U.S. Treasury Department Internal Revenue Service.

Gains and Losses From Sales or Exchanges of Property

1968

Name of estate or trust

a. Kind of property (if necessary, attach stater of descriptive details not shown below)	nent b. Date acc (mo., day		. Date sold no., day, yr.)	d. Gross sales pi	rice allowa	reciation ved (or ble) since risition	f. Cost or other ba cost of subsequen provements (if a purchased, atta explanation) and expense of s	g. Gain or loss ch (d plus e less f)
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Enter your share of net short-term Enter unused short-term capital la Net short-term gain (or loss) from	oss carryover f	rom prece	eding taxabl	e years (attac	ch statement)		
ong-Term Capital Gains and Losse	Assets Held	More Th	an 6 Month	ns .				
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Enter the full amount of your shalf the control of your shalf the capital gain dividends	ss carryover fi	rom prece	ding taxable	e years (attacl	h statement)			
CAPITAL GAINS AND LOSSES								1
				1. Bei	nefici aries	- - 2	. Fiduciary	3. Total
 Net long-term gain or loss from 	line 9, above							
.1 Net long-term gain or loss from .2 Total net gain or loss . Enter on line 6, page 1, Form oss on line 6, page 1, Form 104	line 9, above n 1041, the n 1, whichever	et gain s		ne smallest an	n 3, above. mount: (i) the	If net los	s on line 12, co	olumn 3, above, enter
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COMPUTATION OF ALTERNATIVE TAX

If fiduciary had a net long-term capital gain or an excess of net long-term capital gain over net short-term capital loss shown in column 2, line 12, and line 23, page 1, Form 1041, exceeds \$26,000, it may be to his advantage to make the alternative tax computation.

Pa	Part III—PROPERTY OTHER THAN CA	PITAL	ASS	SETS	;																						
	Form 1041																										
22	22 Alternative tax (line 20 plus line 2	1); if	less	tha	n lir	ne 2	24,	pag	ge 1	l, F	orn	1 10	41,	ent	er ti	his	am	oun	t o	n lir	ie :	25,	pag	ge :	1,		
21	21 50% of amount on line 18, above	e			•																						
20	20 Tax on amount on line 19 (see tax	rate s	chec	iule)		•													•								
19	19 Balance (line 17 minus line 18)		•		•	•				•				•		•	•										
18	18 50% of amount on line $13(e)$.		•	•	•	•		•	•	•				•			•	•						•	•		
	17 Amount from line 23, page 1, For																									i	

а.	Kind of property (if necessary, attach statement of descriptive details not shown below)	b. Date acquired (mo., day, yr.)	c. Date sold (mo., day, yr.)	d. Gross sales price	e. Depreciation allowed (or allowable) since acquisition	f. Cost or other basis, cost of subsequent improvements (if not purchased, attach explanation) and expense of sale	g. Gain or loss (d plus e less f)
23							
24	Net gain (or loss). Enter here and	on line 7. page	1. Form 1041				

INSTRUCTIONS

(References are to the Internal Revenue Code)

Gains and losses from sales and exchanges of capital assets and other property.—In computing gross income no distinction is made between gains and losses allocable to income account and those allocable to corpus account.

"Capital assets" defined.—The term "capital assets" means property held by the estate or trust (whether or not connected with the trade or business) but does NOT include—

- (a) stock in trade or other property of a kind properly includible in inventory if on hand at the close of the taxable year;
- (b) property held by the taxpayer primarily for sale to customers in the ordinary course of trade or business;
- (c) property used in the trade or business of a character which is subject to the allowance for depreciation provided in section 167;
 - (d) real property used in the trade or business of the taxpayer;
- (e) certain government obligations issued on or after March 1, 1941, at a discount, payable without interest and maturing at a fixed date not exceeding one year from date of issue;
- (f) certain copyrights, literary, musical, or artistic compositions, etc.; or
- (g) accounts and notes receivable acquired in the ordinary course of trade or business for services rendered or from the sale of property referred to in (a) or (b) above.

Gains and losses from transactions described in section 1231 (see below) shall be treated as gains and losses from the sale or exchange of capital assets held for more than 6 months if the total of these gains exceeds the total of these losses. If the total of these gains does not exceed the total of these losses, such gains and losses shall not be treated as gains and losses from the sale or exchange of capital assets. Thus, in the event of a net gain, all these transactions should be entered in the "long-term capital gains and losses" portion of Schedule D. In the event of a net loss, all these transactions should be entered in the "property other than capital assets" portion of Schedule D, or in other applicable schedules on Form 1041.

Section 1231 deals with gains and losses arising from-

(a) sale, exchange, or involuntary conversion, of land (including in certain cases unharvested crops sold with the land) and depreciable property if they are used in the trade or business and held for more than 6 months,

- (b) sale, exchange, or involuntary conversion of livestock (but not including poultry) held for draft, breeding, or dairy purposes and held for 1 year or more,
- (c) the cutting of timber or the disposal of timber, coal, or domestic iron ore to which section 631 applies, and
- (d) the involuntary conversion of capital assets held more than 6 months.

See sections 1231 and 631 for specific conditions applicable.

Gain from disposition of depreciable property under sections 1245 and 1250—Assets held more than 6 months (Part II).—(Report any gain from such property held for 6 months or less in Part III.) Except as provided below, section 1245 property means depreciable (a) personal property (other than livestock) including intangible personal property; and (b) tangible real property (except for buildings and their structural components) if used as an integral part of manufacturing, production, or extraction, or of furnishing transportation, communications, electrical energy, gas, water, or sewage disposal services, or used as a research or storage facility in connection with these activities; and (c) elevators and escalators.

Except as provided below, section 1250 property means depreciable real property (other than section 1245 property).

See sections 1245 (b) and 1250 (d) for exceptions and limitations involving: (a) disposition by gift; (b) transfers at death; (c) certain tax-free transactions; (d) like kind exchanges, involuntary conversions; (e) sales or exchanges to effectuate FCC policies and exchanges to comply with S.E.C. orders; (f) property distributed by a partnership to a partner; and (g) disposition of principal residence (section 1250 only).

Column f of Part II.—In computing depreciation allowed or allowable for elevators or escalators, enter in column f-1 depreciation prior to July 1, 1963, and in column f-2 depreciation after June 30, 1963.

Column i of Part II, section 1250 property only.—If held for more than 6 months, but not more than 1 year, enter the smaller of (1) column h, or (2) column f-2. If held for more than 1 year, enter the result of multiplying the smaller of (1) column h, or (2) column f-2 less the amount of depreciation computed for the same period using the straight line method, by the percentage obtained by subtracting from 100%, one percentage point for each full month the property was held in excess of 20 months. Where substantial improvements have been made within the preceding 10 years, see section 1250 (f).

SCHEDULE D (Form 1041) U.S. Treasury Department Internal Revenue Service.

Gains and Losses From Sales or Exchanges of Property

1968

Name of estate or trust

line 23, Part III . .

	apital Gains and				ontns		
a. Kind of property (if necessary, attach statement of descriptive details not shown below)	b. Date acquired (mo., day, yr.)	c. Date sold (mo., day, yr.)	d. Gross sales p	rice allowal	reciation ved (or ble) since isition	f. Cost or other ba cost of subsequent provements (if n purchased, attac explanation) and expense of s	g. Gain or loss ch (d plus e less f)
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ong-Term Capital Gains and Losses—A							
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Enter the full amount of your share of Enter unused long-term capital loss of Capital gain dividends Net long-term gain (or loss) from line	arryover from p	receding taxabl	e years (attac	h statement)			•
APITAL GAINS AND LOSSES							
			1. Be	neficiaries	2.	Fiduciary	3. Total
0 Net short-term gain or loss from line	4, above						
.1 Net long-term gain or loss from line	9, above						
.2 Total net gain or loss							
Enter on line 6, page 1, Form 10 oss on line 6, page 1, Form 1041, we without regard to capital gains and losses	hichever of the	following is t	he smallest ar	nount: (i) the			
OMPUTATION OF FIDUCIARY'S CAPIT	AL GAINS DE	UCTION	y-11.				
3(a) Long-term capital gain shown on I	ine 11. column	3. above					
(b) Short-term capital loss shown on							
(c) Excess of line 13(a) over line 13(b)							
(d) Long-term capital gains taxable to							
(e) Balance (line 13(c) minus line 13	3(d)). (Enter !	50% of this an					
Part II—GAIN FROM DISPOSITION OF D double headings appear, use the first he	EPRECIABLE Pading for section	ROPERTY UNDI	ER SECTIONS	1245 AND 1	250—Ass		Than 6 Months—Wh
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COMPUTATION OF ALTERNATIVE TAX

lf f and	iduciary had a net long-term capital gain or an excess of net long-term capital gain over net short-term capital loss shown in column 2, line 12, ine 23, page 1, Form 1041, exceeds \$26,000, it may be to his advantage to make the alternative tax computation.
17	Amount from line 23, page 1, Form 1041
	50% of amount on line 13(e)
	Balance (line 17 minus line 18)
20	Tax on amount on line 19 (see tax rate schedule)
	50% of amount on line 18, above
22	Alternative tax (line 20 plus line 21); if less than line 24, page 1, Form 1041, enter this amount on line 25, page 1,
	Form 10/11

Part III-PROPERTY OTHER THAN CAPITAL ASSETS

a. ł	Kind of property (if necessary, attach statement of descriptive details not shown below)	b. Date acquired (mo., day, yr.)	c. Date sold (mo., day, yr.)	d. Gross sales price	e, Depreciation allowed (or allowable) since acquisition	f. Cost or other basis, cost of subsequent improvements (if not purchased, attach explanation) and expense of sale	g. Gain or loss (d plus e less f)
23							
<u></u>							
24	Net gain (or loss). Enter here and	on line 7, page	1, Form 1041			'	

INSTRUCTIONS—(Continued from reverse side of the original)

Basis.—In determining gain or loss for property acquired after February 28, 1913, use cost, except where property was acquired by bequest, gift, tax-free exchange, involuntary conversion, or wash sale of stock. See sections 1014, 1015, 1031, 1033, and 1091, respectively. If the amount shown as the basis is other than actual cash cost of the property sold or exchanged, full details must be furnished regarding the acquisition of the property.

Limitation on allowable capital losses.—If the sum of all the capital losses exceeds the sum of all the capital gains (all such gains and losses to be taken into account at 100 percent), then such capital losses shall be allowed as a deduction only to the extent of (1) current year capital gains plus (2) the smaller of either the taxable income of the current year or \$1,000. For this purpose taxable income is computed without regard to capital gains or losses or the deduction for exemption. The excess of such allowable losses over the sum of items (1) and (2) above is called "capital loss carryover." Any such carryover loss may be carried forward indefinitely. Capital losses retain their character as either short-term or long-term when carried over to the succeeding year. To the extent the net capital losses are deducted from ordinary income, the net short-term capital loss must be considered as deducted first.

Losses in transactions between certain persons.—No deduction is allowable for losses from sales or exchanges of property directly or indirectly between (a) members of a family, (b) a corporation and an individual (or a fiduciary) owning more than 50 percent of the corporation's stock (liquidations excepted), (c) a grantor and fiduciary of any trust, (d) a fiduciary and a beneficiary of the same trust, (e) a fiduciary and a fiduciary or beneficiary of another trust created by the same grantor; or (f) an individual and a tax-exempt orgnization controlled by the individual or his family.

Redemption of stock to pay death taxes.—Section 303 deals with redemption of stock (to pay death taxes and certain expenses) included in an estate. List and identify such stock in the appropriate section and state the name of the decedent and the District Director's office in which the estate tax return was filed.

Allocation of capital gains and losses.—On line 10, enter in column I the amount of short-term gain or loss allocable to the beneficiary or beneficiaries. This includes (a) any amount (whether or not paid, credited, or required to be distributed to beneficiaries) which is a

short-term capital gain under the Internal Revenue Code but which is an item of trust income under the terms of the governing instrument and local law, and (b) any amount which is a short-term capital gain under the Internal Revenue Code and which is allocable to corpus under the terms of the governing instrument and local law, but which is, nevertheless, paid, credited, or required to be distributed to any beneficiary. However, any capital gains paid, or permanently set aside for the purpose specified in section 642 (c) should be entered in column 2.

Include on line 10, column 1, only those short-term capital losses which are taken into account in determining the amount of gain from the sale or exchange of capital assets which is paid, credited, or required to be distributed to any beneficiary during the taxable year. Enter in column 2 the amount of the short-term gain or loss allocable to the fiduciary. The amount in column 3 should be the same as the amount shown on line 4.

The long-term gain or loss is treated on line 11 just as short-term gain or loss is treated on line 10.

Fiduciary's capital gains deduction.—Section 1202 provides a special rule for the deduction for long-term capital gains of an estate or trust. The deduction is computed by excluding that portion of the gains from sales or exchanges of capital assets which is includible in the income of the beneficiaries. Lines 13 (a) through 13 (e) provide for the computation of long-term capital gains allocable to the fiduciary for the purpose of computing this deduction.

Capital gains dividends and undistributed capital gains of regulated investment companies.—Report in Schedule D, as long-term capital gains, any amount which a regulated investment company advises you is (a) a capital gain dividend, or (b) your share of the company's undistributed capital gains. Credit should be claimed on line 36, page 1, Form 1041, for 25 percent of (b), since such amount represents the tax imposed on a regulated investment company's undistributed capital gains which is deemed paid by the shareholders. Copy B of Form 2439 should be attached to page 1 of the fiduciary return to substantiate the credit. See section 852 and the regulations thereunder.

If the fiduciary makes a distribution to beneficiaries with respect to an "undistributed capital gain" it shall be treated by the fiduciary, and included in income of the beneficiaries, in the same manner as if the distribution to the beneficiaries resulted from a cash distribution by the regulated investment company.

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